



MEMORANDUM

DATE: December 21, 2004

TO: Members of the Mayor and Council
Economic Development Subcommittee

FROM: Karen Thoreson
Assistant City Manager

SUBJECT: MWBE Utilization Report and Recommendation

Attached is the item distributed on December 7, 2004. This topic will be discussed at the Mayor and Council Economic Development Subcommittee meeting in January.

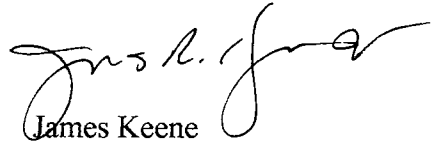
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MEMORANDUM

DATE: December 7, 2004

TO: The Honorable Mayor
and Council Members

FROM: 
James Keene
City Manager

SUBJECT: Report and Recommendations Minority & Women Owned Business Enterprise (MWBEs) Utilization –City Construction Projects

Attached you will find the above-referenced report prepared by the Office of Equal Opportunity Programs & Independent Police Review (OEOP). The report is a utilization analysis of MWBE firms certified under the City of Tucson's MWBE program for City construction projects for the period covering 99-00 through 03-04.

Mayor & Council adopted Ordinance No. 9801 on December 16, 2002. At which time the sub-contracting goal for women in construction was eliminated. Based on the data presented, I concur with the recommendation of Liana Perez, Director of OEOP, to re-introduce project goals for women owned businesses in construction to prevent any further decline in this area. The utilization of Minority Owned Businesses has remained within an acceptable range of no more than 3% below the availability, therefore we are not recommending any adjustments to goals in this area.

Should you have any questions regarding the report or recommendations, please contact Deputy City Manager Mike Letcher at 791-4204 or OEOP Director Liana Perez at 791-4593.

JK:ML\lp

Attachments



MEMORANDUM

DATE: December 2, 2004

TO: James Keene
City Manager

FROM: Liana Perez *Liana Perez*
Office of Equal Opportunity
Programs & Independent Police
Review

SUBJECT: Minority & Women Owned Business Construction Utilization Report
and Recommendations

As is required by City Ordinance No. 9801, attached you will find the above-referenced report which provides a utilization analysis of Minority and Women Owned Businesses (MWBEs) as both prime and sub-contractors on city construction contracts. Although the MWBE program requires that project goals be set for sub-contracting opportunities only, we have been tracking race/gender neutral utilization of prime contracts awarded to MWBEs.

The Ordinance was adopted by Mayor & Council on December 16, 2002, at which time the goal for women construction firms was eliminated due to recommendations made by DJ Miller & Associates in the Disparity Study II. As illustrated in the report, the utilization of Minority Owned Businesses (MBEs) has remained consistent and is within an acceptable range of no more than 3% below the availability for these firms within the Tucson Metropolitan Statistical Area. However, since the goal for woman owned firms was eliminated, we have experienced a decline in gender neutral utilization in both prime and subcontracting opportunities.

Section 28-150 (1), provides this office with the ability to recommend measures to correct identified disparities in instances where race/gender-neutral means are utilized and significant disparity re-emerges. Based on the data, it is my recommendation that we re-introduce a project by project goal in which sub-contracting opportunities are identified for women owned construction firms effective January 2005. I have also presented the proposed recommendations to the MWBE Commission and they are in unanimous support.

This office will continue to monitor the utilization of both minority and women owned firms as required by the ordinance. Additionally, we will continue to work closely with the MWBE Commission to identify the effectiveness of the program and to identify additional efforts necessary to promote and encourage MWBE participation in the City procurement process. The MWBE Commission is working with this office to plan a certification and training conference for MWBEs to be conducted in March or April 2005.

City of Tucson Minority and Women Owned Business Enterprise (MWBE) Construction Utilization Report as of 9/30/2004

Introduction:

In March 2002, DJ Miller and Associates submitted the Disparity Study Update II (DSII) that concluded, in part, that significant statistical disparity existed in MWBE participation over the study period of 1997-2000 within identifiable areas of the City's contracting activity. In construction, Asian, Black, Hispanic and Native American contractors were under utilized during the study period, and women contractors were over utilized. Mayor and Council adopted the findings of DSII on December 16, 2002 with the adoption of Ordinance No. 9801. The City of Tucson Office of Equal Opportunity Programs (OEOP) administers the Minority and Women-Owned Business Enterprise (MWBE) Program. The OEOP is responsible for monitoring and reporting city utilization of minority and women-owned businesses in order to ensure ongoing analysis and evaluation of the MWBE Program and its objectives. This report contains an analysis of the data in the area of construction from 1999-2004 for both sub-contracting utilization and prime contracts awarded to MWBE firms when they are awarded the prime contract based on their low bidder status.

Establishing Sub-Contracting Goals

Construction projects with an estimated value over \$50,000 are reviewed by the OEOP for subcontracting opportunities for certified MWBE firms. Goals are established on a contract by contract basis and are determined, in part, on the availability of certified MBEs and WBEs in the industry or trade in which the sub-contracting opportunity exists. Once the project goal has been established, prime contractors provide OEOP a list of certified subcontractors that they propose to use to meet the goal and projected subcontract dollar amounts at the time the bid is submitted. Prime contractors submit a final complete subcontractor payment list with their request for final payment. As a result of the findings of the DSII, the construction project goal for women owned businesses was eliminated in January 2003.

Availability

Availability measurements provide a benchmark or target for overall utilization. Several sources provide the counts of construction firms that are needed to calculate construction availability:

- OEOP hard copy contract files
- OEOP directory of MWBE certified contractors
- U.S. Census County Business Patterns construction firm counts
- Pima County Procurement vendor database
- City of Tucson Procurement vendor database
- U.S. Census 1997 Economic Census.

The data are weighted according to their relevance resulting in an MBE availability of 15.2 % and a WBE availability of 10.0%. (Appendix A)

MWBE Utilization

From October 1999 through September 2004 the OEOP reviewed 378 projects with base bids totaling \$214,115,587:

- One hundred ninety one projects (50.6%) met or exceeded the MWBE subcontracting goals.
- No goals were set for 101 projects (26.7%) because of a lack of MWBE subcontracting opportunities in the trades needed for the project.
- Waivers were granted on 53 projects (14.0%) when the prime contractor made good faith efforts to meet the MWBE goals but were unable to achieve either the minority or women goal or both.
- The remaining 33 projects (8.7%) are either still pending award, were cancelled, or granted emergency status with no goals established.

For the listed period, the median MBE subcontractor utilization was 7.0% and prime contractor median utilization was 6.6%. The combined median utilization was 12.8.% compared to an availability of 15.2%. (Appendix B)

The median WBE subcontractor utilization was 1.4% and prime contractor median utilization was 5.6%. The combined median utilization was 5.7% compared to an availability of 10.0%. Utilization of WBEs as sub-contractors has declined since the goal was eliminated in January 2003. (Appendix C)

Job-Order-Contracts

The City of Tucson began using Job Order Contracts (JOCs) in 2001-02. Unlike the low-bid process, which is activated through an Invitation for Bid, a JOC requires a Request of Qualifications (RFQ). Selection of the Prime Contractor on a JOC is based upon a review of the qualifications. The RFQ solicitation describes the projected scope of the contract and contract dollar amount per job. The MWBE goal-setting review is conducted by the OEOP prior to the publishing of the solicitation. Respondents to the RFQ must submit a signed Statement of Proposed MWBE Plan listing subcontracting trade areas and MWBE firms that may be used to meet the goals. The OEOP monitors the utilization of MWBEs throughout the contract period by requiring prime contractors to submit MWBE utilization reports on a quarterly basis.

The OEOP reviewed 35 JOCs from 2001 through September 2004. The total estimated cost of all JOC projects is \$10,895,000. OEOP has seen considerable growth in the number and value of JOCs awarded. Data is most complete for 2002-03 in which MBE sub-contractor utilization was 6.0%. WBEs have been awarded prime contracts for this same period, however sub-contracting awards to WBEs have averaged 0.1%. (Appendix D)

Appendix A

2004 MWBE Availability Summary City of Tucson Construction Projects

Tucson MSA

MBE

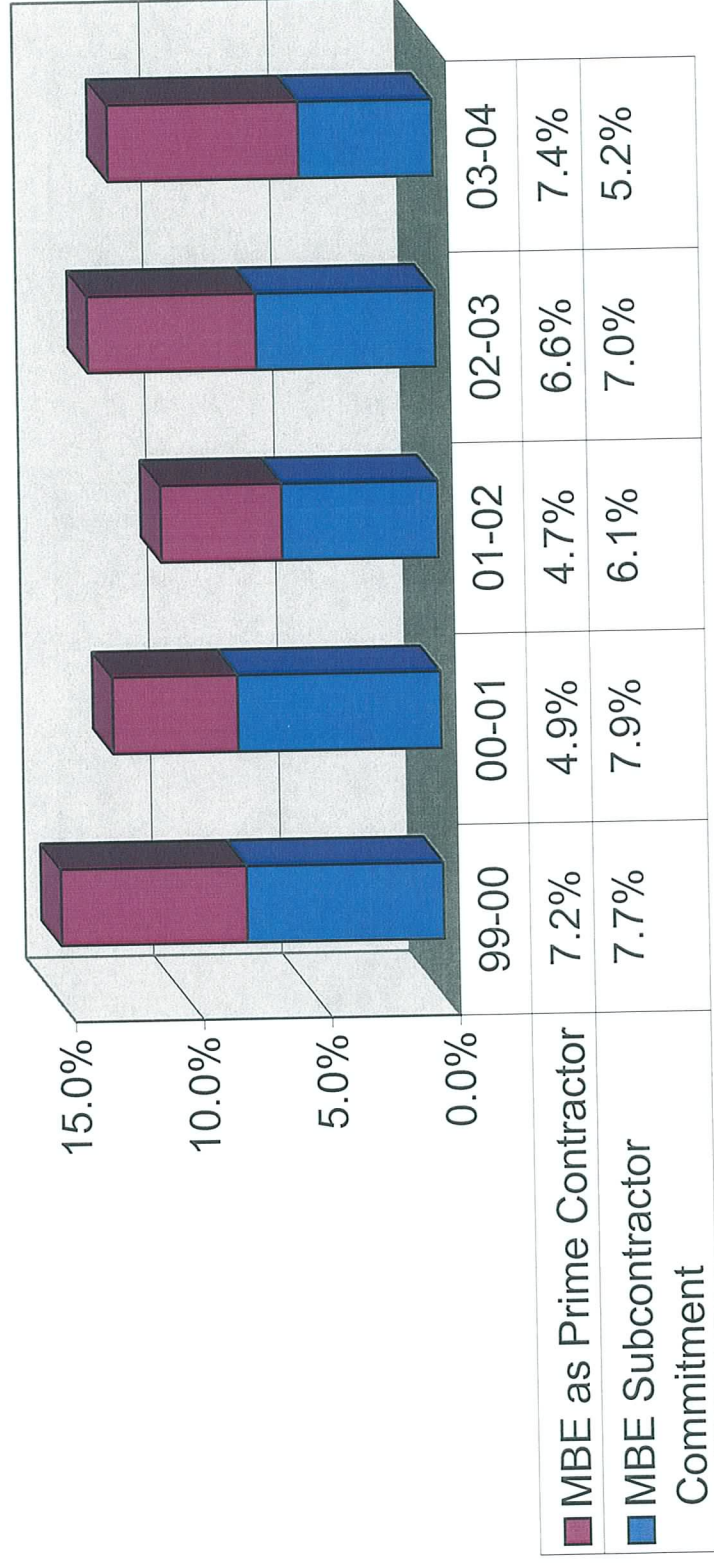
	% MBE	Weight	Percent x Weight
Prime Bidders 2000-2004	12.3	0.1	1.2
COT Vendors July 2003	21.0	0.3	6.3
SBA Pro-Net	40.0		
Pima County 2003	24.0	0.2	4.8
US Census SMOBE/SWOBE 1997	18.0	0.1	1.8
MWBE Directory/CBP 2001	3.7	0.3	1.1
Weighted Availability %		1	15.2

WBE

	% WBE	Weight	Percent x Weight
Prime Bidders 2000-2004	8.8	0.1	0.9
COT Vendors July 2003	11.2	0.3	3.4
SBA Pro-Net	12.0		
Pima County 2003	21.5	0.2	4.3
US Census SMOBE/SWOBE 1997	10.2	0.1	1.0
MWBE Directory/CBP 2001	1.3	0.3	0.4
Weighted Availability %		1	10.0

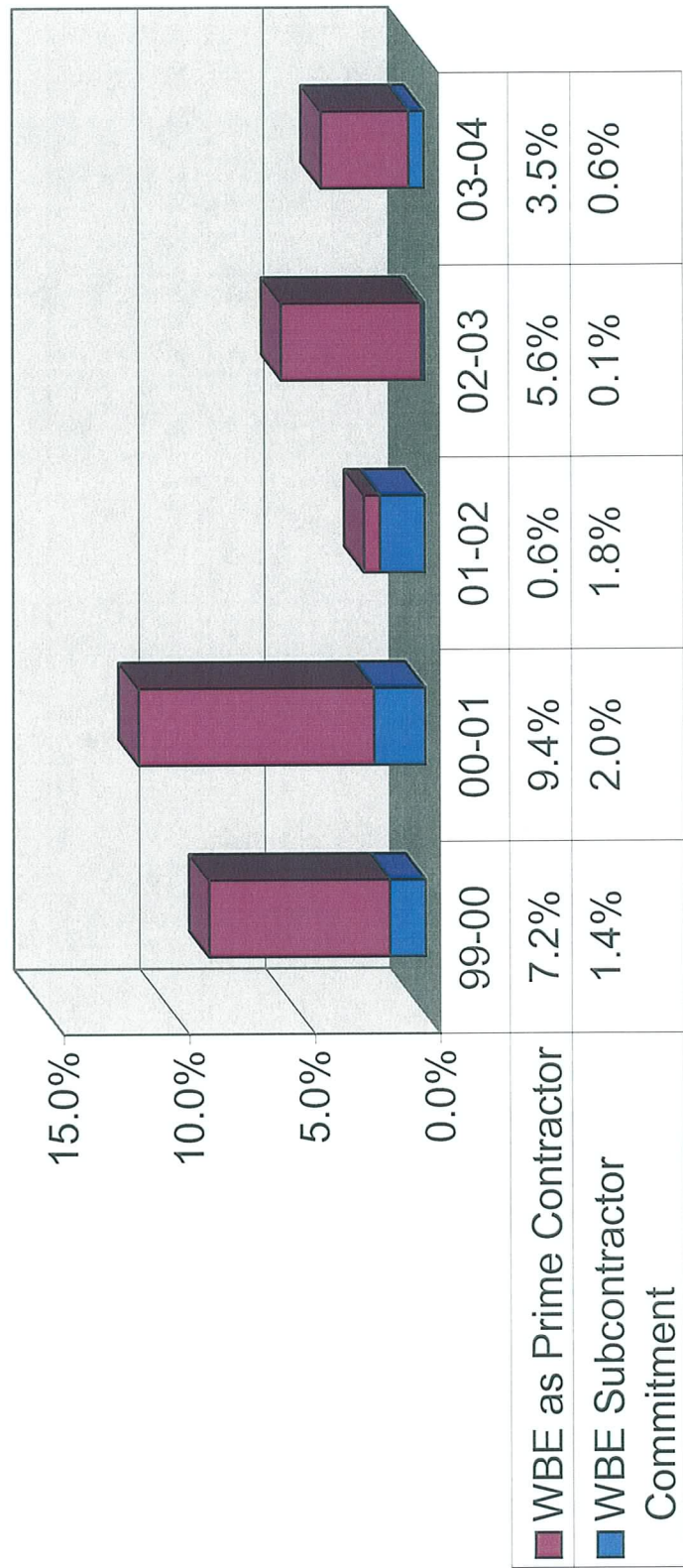
Appendix B

MBE Utilization on City of Tucson Construction Projects



Combined MBE Utilization	14.9%	12.8%	10.8%	13.6%	12.7%
Total Base Bids	\$55,811,617	\$27,457,827	\$60,654,191	\$36,453,351	\$32,070,579

WBE Utilization on City of Tucson Construction Projects



Combined WBE Utilization	8.6%	11.4%	2.4%	5.7%	4.1%
Total Base Bids	\$55,811,617	\$27,457,827	\$60,654,191	\$36,453,351	\$32,070,579

Appendix D

Job Order Contracts

	2001-02	2002-03*	2003-04*
Total Estimated Cost	\$1,182,000	\$2,274,000	\$7,439,000
Total Number of Contracts	4	9	22

MBE

MBE Subcontractor Payments	\$293,163 24.8%	\$135,494 6.0%	\$46,684 0.6%
MBE as Prime Contractor	\$0 0.0%	\$0 0.0%	\$125,000 1.7%
Total MBE Utilization on JOC	24.8%	6.0%	2.3%

WBE

WBE Subcontractor Payments	\$6,420 0.5%	\$1,586 0.1%	\$4,280 0.1%
WBE as Prime Contractor	\$500,000 42.3%	\$174,000 7.7%	\$1,074,000 14.4%
Total WBE Utilization on JOC	42.8%	7.7%	14.5%

* Data not complete as some contracts are still outstanding